



Government of
Saskatchewan

Annual Report 2006-2007

Saskatchewan
Agriculture
and Food

Agri-Food Innovation
Fund

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This annual report is also available in electronic format from the website of Saskatchewan Agriculture and Food at www.agr.gov.sk.ca.

Letters of Transmittal



Honourable Mark Wartman
Minister of Saskatchewan Agriculture and Food

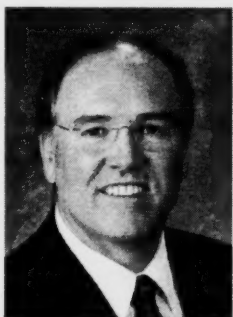
Dear Sir:

I am pleased to present herewith the Annual Report of the Agri-Food Innovation Fund for the 12 months ending March 31, 2007.

Respectfully submitted,

A handwritten signature in cursive script that reads "Jack Zepp".

Jack Zepp
Chair
Board of Directors
Agri-Food Innovation Fund



His Honour
The Honourable Lieutenant Governor
Dr. Gordon L. Barnhart
Province of Saskatchewan

July 16, 2007

Your Honour:

I have the honour to submit herewith the Annual Report of the Agri-Food Innovation Fund for the 12 months ending March 31, 2007.

I have the honour to be, Madam, your obedient servant,

A handwritten signature in cursive script that reads "Mark Wartman".

Mark Wartman
Minister
Saskatchewan Agriculture and Food

Message from the Minister of Saskatchewan Agriculture and Food


Although the federal/provincial Agri-Food Innovation Fund (AFIF) program has concluded in Saskatchewan, with only a few projects remaining to be completed, AFIF has created a legacy for agriculture in Saskatchewan and Canada that will be recognized for years to come.

AFIF was an important program for many reasons.

It enhanced the broad range of agriculture research in this country and province, thereby contributing to Saskatchewan and Canada's long-established reputations in the field of agriculture research.

At the same time, the AFIF program demonstrated that extraordinary achievements can be accomplished through co-operation and enthusiasm. AFIF's success is the result of the collaboration of producers, industry, academics and governments, all working together to set and meet the program's goals.

Saskatchewan is pleased to have been part of the AFIF program and we readily acknowledge that Saskatchewan's agriculture and food industry will benefit from AFIF's results and successes for years to come.



Mark Wartman
Minister of Agriculture and Food

Board of Directors

Mr. Jack Zepp, Chair
Director, Strategic Operations
Saskatchewan Agriculture and Food

Mr. Don Russell, Director
Mr. Louis Hradecki, Director
Ms. Linda Pipke, Director

Management services are provided through the
Agriculture Research Branch of Saskatchewan
Agriculture and Food.

AFIF continues to help agriculture industry growth in Saskatchewan

The \$91-million Canada-Saskatchewan Agri-Food Innovation Fund (AFIF), established in 1995, has assisted the agricultural sector of Saskatchewan's economy to become stronger and more diversified.

More than 300 research, development and infrastructure projects were undertaken in support of the emerging primary production and value-added processing sectors within the province.

When the Canada-Saskatchewan AFIF Agreement concluded on March 31, 2003, a new Saskatchewan Board of Directors was appointed* under *The Saskatchewan Agri-Food Innovation Act*.

This board has continued to manage the fund's ongoing business, and ongoing contractual obligations entered into under the agreement, including a few projects which were not completed when the AFIF agreement expired.

During the 12-month period ending March 31, 2007, AFIF paid \$340,000 for four projects.

- The final payment of \$25,000 was provided to the Saskatchewan Pulse Growers to complete construction of a pulse research lab facility at the University of Saskatchewan Crop Development Centre.
- A sum of \$300,000 was paid to improve global competitiveness in the cow-calf and feeding industries in Saskatchewan. This project is still ongoing and is expected to be completed in 2008.
- A final payment of \$10,000 was made to Ag West Bio to complete the support, coordination and development of research and analytical facilities required by Saskatchewan companies to meet the various federal and international regulation, and to support the development of markets for their products.
- The Canada-Saskatchewan Irrigation Diversification Centre (CSIDC) received a final payment of \$5,000 to complete its research on commercial vegetable production, improved production information for selected medicinal herbs, and harvest and storage management for seed potatoes for domestic and export markets.

AGRI-FOOD INNOVATION FUND

FINANCIAL STATEMENTS

For the Year Ended

March 31, 2007

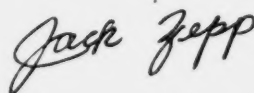
Board of Directors' Report

To Members of the Legislative Assembly of Saskatchewan:

The Board of Directors of the Agri-Food Innovation Fund of Saskatchewan is responsible for the integrity of the accompanying financial statements and all other information in this 2006-07 Annual Report. It is the responsibility of management to prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP) in Canada.

The integrity of the financial records from which these financial statements are prepared is largely dependent on the systems of internal accounting controls. The purpose of such systems is to provide reasonable assurance that transactions are appropriately recorded in order to permit preparation of financial statements; and, assets are properly accounted for and safe-guarded against loss from unauthorized use. Underlying this concept of reasonable assurance is the fact that limitations exist in any system of internal controls based on the premise that the cost of such controls should not exceed the benefits derived therefrom.

The financial statements have been audited by the Provincial Auditor of Saskatchewan. The report to the Members of the Legislative Assembly, stating the scope of the examination and opinions on the financial statements, appears on the following pages.



Jack Zepp
Chair
Board of Directors
Agri-Food Innovation Fund
June 19, 2007

AGRI-FOOD INNOVATION FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2007



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SASKATCHEWAN

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Agri-Food Innovation Fund as at March 31, 2007 and the statements of operations and accumulated surplus, change in net financial assets, and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
June 19, 2007

Fred Wendel, CMA, CA
Provincial Auditor

Statement 1

AGRI-FOOD INNOVATION FUND
STATEMENT OF FINANCIAL POSITION
As at March 31

| | <u>2007</u> | <u>2006</u> |
|---|---------------------|---------------------|
| FINANCIAL ASSETS | | |
| Due from General Revenue Fund (Notes 4 & 5) | \$ 1,425,982 | \$ 1,560,296 |
| Interest receivable (Notes 4 & 5) | <u>14,836</u> | <u>13,282</u> |
| | 1,440,818 | 1,573,578 |
| LIABILITIES | | |
| Accounts payable | <u>20</u> | <u>46,904</u> |
| NET FINANCIAL ASSETS (Statement 3) | 1,440,798 | 1,526,674 |
| NON-FINANCIAL ASSETS | | |
| Prepaid expenses | <u>76,921</u> | <u>312,986</u> |
| ACCUMULATED SURPLUS (Statement 2) | <u>\$ 1,517,719</u> | <u>\$ 1,839,660</u> |

(See accompanying notes to the financial statements)

Statement 2

**AGRI-FOOD INNOVATION FUND
STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS
Year Ended March 31**

| | <u>2007</u> | <u>2006</u> |
|--|---------------------|---------------------|
| Revenue | | |
| Interest revenue (Notes 4 & 5) | \$ 57,010 | \$ 56,089 |
| Miscellaneous | <u>---</u> | <u>92,065</u> |
| Total revenue | <u>57,010</u> | <u>148,154</u> |
| Expenses | | |
| Contractual services - Strategic Projects | 377,987 | 1,801,253 |
| Board expenses | <u>964</u> | <u>2,831</u> |
| Total expenses (Note 6) | <u>378,951</u> | <u>1,804,084</u> |
| Deficit for the year | (321,941) | (1,655,930) |
| Accumulated surplus, beginning of year | <u>1,839,660</u> | <u>3,495,590</u> |
| Accumulated surplus, end of year (Statement 1) | <u>\$ 1,517,719</u> | <u>\$ 1,839,660</u> |

(See accompanying notes to the financial statements)

Statement 3

AGRI-FOOD INNOVATION FUND
STATEMENT OF CHANGE IN NET FINANCIAL ASSETS
Year Ended March 31

| | <u>2007</u> | <u>2006</u> |
|---|---------------------|---------------------|
| Deficit for the year | \$ (321,941) | \$ (1,655,930) |
| Net decrease in prepaid expenses | <u>236,065</u> | <u>154,721</u> |
| Decrease in net financial assets | (85,876) | (1,501,209) |
| Net financial assets, beginning of year | <u>1,526,674</u> | <u>3,027,883</u> |
| Net financial assets, end of year (Statement 1) | <u>\$ 1,440,798</u> | <u>\$ 1,526,674</u> |

Statement 4

AGRI-FOOD INNOVATION FUND
STATEMENT OF CASH FLOWS
Year Ended March 31

| | <u>2007</u> | <u>2006</u> |
|---|---------------------|---------------------|
| Cash Flows from operating activities: | | |
| Refunds from contractors | \$ 151,233 | \$ 92,065 |
| Interest received | 55,456 | 62,416 |
| Payments to contractors and suppliers | <u>(341,003)</u> | <u>(1,741,796)</u> |
| Net decrease in cash and cash equivalents | (134,314) | (1,587,315) |
| Cash and cash equivalents, beginning of year (Note 2 (c)) | <u>1,560,296</u> | <u>3,147,611</u> |
| Cash and cash equivalents, end of year (Note 2 (c)) | <u>\$ 1,425,982</u> | <u>\$ 1,560,296</u> |

(See accompanying notes to the financial statements)

AGRI-FOOD INNOVATION FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2007

1. Authority and Definition

The Agri-Food Innovation Fund (Fund) was established effective March 31, 1995 pursuant to Section 3 of *The Agri-Food Innovation Act* as a corporation. The purpose of the Fund is to enhance the diversification of the Saskatchewan agriculture and food industry, support research and development and encourage farmers and rural residents to create economic opportunities and jobs.

On September 25, 1995, the Government of Saskatchewan entered into the Canada-Saskatchewan Agri-Food Innovation Agreement (Agreement) with the Government of Canada to achieve this purpose. On March 31, 2003, the Agreement with the Government of Canada expired. The Fund continues to administer the remaining provincial funding.

The Fund is administered by the Agri-Food Innovation Fund Board.

The Board has entered into contracts with various contractors to carry out projects for the purpose outlined above.

2. Significant Accounting Policies

The financial statements are prepared in accordance with generally accepted accounting principles as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The following accounting principles are considered significant:

a) Revenue Recognition

Interest income is recognized as revenue when earned.

b) Receivables/Payables

These financial instruments are both interest and non-interest bearing and are due or payable within the next year. Due to this short-term maturity, the carrying value of these financial instruments approximates fair value.

c) Cash and Cash Equivalents

Cash and cash equivalents are comprised of amounts due from the General Revenue Fund.

3. Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Such estimates relate to contractual services – strategic projects expense. Actual results could differ from those estimates and would impact the results reported in future periods.

4. Related Party Transactions

All Government of Saskatchewan agencies such as departments, corporations, boards and commissions are related since they are all controlled by the Government. These financial statements include transactions with other Government agencies.

The Fund earned interest income of \$57,010 (2006 - \$56,089) on monies deposited in the General Revenue Fund. At year end, the Fund had monies deposited in the General Revenue Fund totalling \$1,425,982 (2006 - \$1,560,296).

In accordance with Section 9 of *The Agri-Food Innovation Act*, the Minister of Agriculture and Food may provide to the Fund any supplies and employee services required to carry out its responsibilities. The Fund received office space and administrative services from Saskatchewan Agriculture and Food without charge.

Included in accounts payable are no amounts due to related parties (2006 - \$12,959).

During the year, the Fund incurred expenses totalling \$287,041 (2006 - \$275,356) to related parties.

5. Due From General Revenue Fund

The monies of the Agri-Food Innovation Fund are deposited in the General Revenue Fund. The Agri-Food Innovation Fund's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis using the Government's thirty-day borrowing rate and the Agri-Food Innovation Fund's daily balance. The average thirty-day borrowing rate for the year was 4.15% (2006 – 2.82%).

6. Comparison of Planned and Actual Results for the Year Ended March 31, 2007

| | <u>Budget</u> | <u>Actual</u> |
|---|-------------------|-------------------|
| Expenses: | | |
| Board expenses | \$ 2,000 | \$ 964 |
| Contractual services - Strategic Projects | 414,000 | 377,987 |
| Communication activities | <u>1,000</u> | <u>---</u> |
| | <u>\$ 417,000</u> | <u>\$ 378,951</u> |

The Board approved the budget for expenses at its March 2006 meeting.

7. Contractual obligations

At March 31, 2007, the Board had approved Strategic Projects that will be expended in future years.

| | |
|----------------|------------|
| March 31, 2008 | \$ 355,000 |
|----------------|------------|

Schedule 1

**AGRI-FOOD INNOVATION FUND
DETAILS OF EXPENSES (UNAUDITED)
For the Year Ended March 31**

2007

Strategic Projects

| | |
|---|----------------|
| Ag-West Bio | \$ 1,114 |
| Provincial Council of Add Boards | 77,775 |
| Saskatchewan Quality Starts Here Working Group | 7,057 |
| Canada-Saskatchewan Irrigation Diversification Centre | 5,000 |
| Prairie Agricultural Machinery Institute | <u>287,041</u> |

Total Strategic Projects

377,987

Supplier Payments

| | |
|----------------------|------------|
| Payees under \$5,000 | <u>964</u> |
|----------------------|------------|

Total Supplier Payments

964

Total

\$ 378,951





